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Cyndie Eby
Executive Director-
Federal Regulatory

USWEST

EX PARTE

April 17, 1996

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW, Room 222
Washington, DC 20554

RE: CC Docket 95-185 -- Interconnection Between LECs & CMRS

Dear Mr. Caton:

Attached are copies of letters delivered today to Ms. Michele Farquhar and Ms. Karen Brinkmann, Wireless Telecommunications Bureau, concerning the above-referenced proceeding.

In accordance with Section 1.1206(a)(1) of the Commission's Rules, copies of the letters are being served upon you for inclusion in the public record.

Acknowledgment and date of receipt of this submission are requested. A duplicate letter is attached for this purpose.

Please call me if you have any questions.

Sincerely,

Attachments

cc: Ms. Michele Farquhar
Ms. Karen Brinkmann

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Executive Director-
Federal Regulatory

April 17, 1996

Ms. Michele Farquhar
Chief, Wireless Telecommunications Bureau
Federal Communications Commission
2025 M Street, NW, Room 5002
Washington, DC 20554

RE: CC Docket 95-185 -- Interconnection Between LECs & CMRS

Dear Ms. Farquhar:

Thank you for meeting with Bob Harris, Law & Economic Consulting Group, Inc., Ken Denman, Vice President, U S WEST Communications Wireless Market Group, and other USWC representatives on April 4, 1996 regarding the above-referenced proceeding. I would like to provide additional information relative to some of the issues raised at that meeting.

USWC is *now* in negotiations with CMRS providers under Sections 251 and 252 of the Telecommunications Act of 1996. However, not all CMRS providers with whom USWC is currently negotiating are desirous of proceeding under Sections 251 and 252. They apparently are awaiting action by the Federal Communications Commission on the pending Notice of Proposed Rulemaking.

As USWC has indicated in their filings, negotiations can and should be accomplished under the Telecommunications Act of 1996. The drastic measure of implementing "bill and keep," even on an interim basis, is unnecessary and in conflict with the specific intent and language of the Act.

A question was asked at the meeting, "what if traffic were equal, would a 'bill and keep' be appropriate." For the following reasons, USWC believes that "bill and keep" would be inappropriate even if traffic were equal. "Bill and keep" is a wrongheaded interconnection pricing policy, for several reasons, even in the highly unlikely case that traffic between carriers is balanced. For one thing, there is no way of knowing, in advance, whether or not traffic will be balanced. Even if traffic is balanced, that does not mean the costs of interconnection are balanced. The whole point of setting prices at or above costs in a market economy is that people should pay for what they use. Instead, the "bill and keep" proposal creates an "in-kind exchange" of services of decidedly unequal value. For an "in-kind exchange" to be fair to both parties, the costs borne by each party must be at least roughly equivalent. That is certainly not the case for interconnection between a LEC and any other carrier which does not have equivalent universal service and carrier of last resort obligations. For the foreseeable future, LECs will continue to serve the highest cost landline customers.

Hence, even if the volume of traffic exchanged is equal (and we know it will not be), the cost of providing the ubiquitous network to terminate CMRS traffic will not be remotely equal. It is, and will be, increasingly important to incent efficient interconnection, not inefficient arrangements.

Prices play a critically important role in the allocation and distribution of goods and services in a market economy. As a means of payment for the provision of services among competitors, "bill and keep" violates that principle because the price of interconnection is set below cost, creating an incentive to overuse it. Requiring LECs to give away their services to CMRS carriers provides NO incentive for CMRS carriers to reduce the cost of terminating their customers' calls on the LEC's network. Finally, "bill and keep" ignores the fact that there are many different technical types of interconnection among carriers; most CMRS interconnections are quite different from, and possibly more costly than, IXC interconnection. Given that the type and cost of interconnection differs across carriers, it does not make sense to charge the same price - much less a zero price - for difference services.

Finally, in our meeting with you, there were several references to the statement by Wayne Schelle in the *Wall Street Journal* and elsewhere, that the new PCS services in Washington, DC are experiencing roughly equal exchange of traffic with the local LEC. USWC believes that the reference counts digital messages (which utilize little capacity and time) not Minutes of Use on each party's network. The economic impact of this difference is significant.

Again, we appreciate the time you gave us as well as the opportunity to provide this additional and clarifying information.

Sincerely,

Cyndie Eby

Cyndie Eby
Executive Director
Federal Regulatory

cc: Ms. Karen Brinkmann